Value-Added Producer Grants (VAPG)

"Building a stronger rural economy through value-added business"

Why Should Producers Add Value?

As producers of crops and livestock, American farmers and ranchers receive only what the market pays for a raw commodity. But when they are able to perform further processing themselves, they can reap far greater rewards—money that would otherwise go to other "middlemen," often in distant locations.

Examples of producers' adding value themselves could include a co-op or other group of wheat growers processing their own grain into bread or pizza crusts, or corn growers processing their grain into ethanol. Value-added efforts such as these not only help producers keep more of the profits derived from their efforts, but they usually help to keep more dollars in rural areas of the nation. As more foreign nations develop modern agricultural systems, it becomes ever more imperative for American producers to pursue value-added activities.

It is the goal of the Value-Added Producer Grants (VAPG) program of USDA Rural Development to help accelerate the pace of the transformation of the nation's agricultural economy into one focused on producer-owned, value-added businesses.

What Is Value-Added?

Value-Added is defined as the incremental value that is realized by the producer from an agricultural commodity or product as the result of:

1. a change in the physical state (e.g., wheat into flour);
2. differentiated production or marketing, as demonstrated in a business plan (e.g., organic tomatoes);
3. product segregation (e.g., identity-preserved corn);
4. production of farm- or ranch-based renewable energy (e.g., electricity generated from an anaerobic lagoon).

Program Background:

The VAPG program was first authorized by the Agricultural Risk Protection Act of 2000 and was amended by the 2002 Farm Bill. Grants are made to enable producers to develop businesses that produce and market value-added agricultural products. It is the policy of the Secretary of Agriculture to fund a broad diversity of projects that help increase the agricultural producers' customer base and share of the food and agricultural system profit.

Eligible Applicants:

1. Independent producers;
2. Farmer or rancher cooperatives;
3. Agricultural producer groups;
4. Majority-controlled producer-based business ventures.

Eligible Purposes:

1. Planning activities, such as conducting feasibility studies and developing business plans for processing and marketing value-added agricultural products.
2. Working capital expenses for processing and marketing value-added agricultural products, including inventory, salaries, and office supplies.

Ineligible Uses of Funds:

1. Pay costs of preparing the application package for funding for the VAPG program;
2 Pay costs of the project incurred prior to grant approval;
3. Fund political activities;
4. Plan, repair, rehabilitate, acquire, or construct a building or facility (including a processing facility);
5. Purchase, rent, or install fixed equipment;
6. Pay for the repair of privately owned vehicles;
7. Fund research or development;
8. Pay for production-related expenses;
9. Purchase land.

Grant Selection

Planning grants will be evaluated based on the following criteria:

1. Nature of the proposed venture;
2. Qualifications of those doing the work;
3. Project leadership;
4. Commitments and support;
5. Work plan/budget;
6. Amount requested;
7. Project cost per owner-producer;
8. Presidential initiatives.

Working capital grants will be evaluated based on the following criteria:

1. Business viability;
2. Customer base/increased returns;
3. Commitments and support;
4. Management team/work force;
5. Work plan/budget;
6. Amount requested;
7. Project cost per owner-producer;
8. Presidential initiatives.

Applications will be evaluated by technical experts appointed by USDA Rural Development.

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Recipient Responsibilities:

1. Recipients will need to submit documentation substantiating information regarding ownership, finances, and support referenced in the application. Those groups receiving working capital awards will need to provide feasibility studies and business plans;
2. Recipients will need to enter into a grant agreement with Rural Development;
3. Recipients should use grant and matching funds within 1 year of beginning work on the grant;
4. Recipients will need to report on the progress of the project on a semi-annual basis, with a final report due at the end of the project.

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